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SECURITY INFORMATION

17 DEC 1952

Comptroller

Chief of Procurement and Supply

Delayed Audits

1. A problem exists between this Agency and various contractors which stems from the delay in performance and reporting of audits of cost of various contracts.

2. A current problem is exemplified in [redacted] which has called the attention of this office to the considerable delay that has occurred in the audit and price redetermination of their contract. The matter is being reported for consideration and such action as the circumstances are deemed to warrant. Deliveries under the contract were completed 19 February 1952. In compliance with the terms of the contract, the Contractor submitted his statement of costs and related data the 26th of May. This information was forwarded to the Chief, Planning and Field Audit Branch under memorandum dated 16 June 1952. However, audit discussions with the Contractor did not take place until the 2nd of December 1952. As a result, an audit report providing the necessary basis for negotiating a revised price and final settlement is not yet available. It is anticipated, therefore, that settlement of the contract will be delayed until after the first of the year. Obviously, this office is not in a position to make a reasonable reply to them when half a year has elapsed without settlement of their report of costs.

3. The instant case is representative of others when serious delays have occurred because of audit backlog. For instance, [redacted] which was completed about a year ago has not yet had final audit, although a system survey and interim audit were made in October 1951. This office is advised that it is planned to audit this contract in connection with another one at a later date. These delays reflect discredit on the Agency and have a detrimental effect on its relations with contractors. The situation in general was brought to the attention of the Comptroller in memorandum from the Chief of Procurement and Supply dated 20 June 1952 and subsequent memorandum of follow-up of 18 August 1952, in connection with our recommendations that the Navy Cost Inspection Service be used for the audit of Contract [redacted]. However, no expeditious procedure has resulted.

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4. The audit staff of the Finance Division has been most cooperative in attempting to provide this office with audit support. However, the apparent absence of an adequate staff has made it impossible to bring current the accumulation of old work and to cope with the subsequent increase in its responsibilities.

5. This matter is submitted for your consideration, looking toward more expeditious audits and audit reports in the future. If this office can assist in this problem, within the framework of its responsibilities, we are anxious to do so.

6. I will appreciate being informed of your findings and action toward solution of this matter.

JAMES A. GARRISON

PHO/EOG:jls (11 Dec. 1952)

Distribution:

- 1 - Contract
- 1 - Chief, PHO
- 1 - Chrono
- 1 - Contract ND-19
- 1 - Contract RD-27

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